

BANK FINANCIAL MANAGEMENT

Q1. If the daily volatility of stocks is 0.2%, what is its 10-day volatility?

- 1) **0.63** 2) 2.00 3) 0.75 4) 0.68

Q2. Given that Tier I capital is Rs. 500 crores and Tier II capital Rs. 800 crores and further given that RWA for credit risk Rs. 5000 crores, capital charge for market risk and operational risk Rs. 200 crores and Rs. 100 respectively, answer the following questions if the regulatory CAR is 8%.

What are the total risk weighted assets?

- 1) Rs.7250 crores
2) **Rs. 8750 crores**
3) Rs. 9000 crores
4) Rs. 7800 crores

Q3. A Bank received an LC for USD 2 Mio issued by MT 700 and opened on Jan 25, 2011. The credit calls for shipment of 200 tonnes of good quality wheat cultivated in Punjab.

By default, whether the provisions of UCP 600 apply to this credit?

- 1) Yes, UCP 600 applies to this credit
2) **No, UCP 600 does not apply**
3) Only certain articles of UCP 600 apply to the credit
4) Yes, UCP 600 applies with permission from ICC

Q4. In terms of article 3 of UCP 600, if there is no mention, LC will be treated as what type of LC?

- 1) Revocable LC 2) **Irrevocable LC** 3) Confirmed LC 4) Back to back LC

Q5. Exchange risk in forex transactions mainly arises because of _____

- 1) Geographical dispersion of market players
2) Time zone differences between the counter parties
3) Big ticket size of the transactions
4) **Fluctuation of exchange rates every four seconds**

Q6. The office created exclusively to provide information to the management and implement risk management systems is known as

- 1) Front office 2) **Mid office** 3) Back office 4) Integrated Treasury

Q7. The primary function of treasury is to _____

- 1) **meet SLR and CRR requirement** 2) manage liquidity to meet CRR requirement
3) meet SLR requirement only 4) utilize arbitrage opportunities for maximizing profits

Q8. Every exporter should obtain a code number before making exports. What is the number?

- 1) Exporter's code number issued by RBI
- 2) Identification number issued by Export Promotion Council
- 3) IEC number issued by DGFT**
- 4) Facilitation number issued by FIEO

Q9. General provisions will be admitted upto a maximum of ____ of RWAs

- 1) 0.01
- 2) 0.025
- 3) 0.0125**
- 4) 0.015

Q10. How forward rates are calculated?

- 1) By adding a mark up to spot rates
- 2) By adding premium or discount to spot rates
- 3) By deducting premium or discount from spot rates
- 4) By adding premium to and deducting discount from spot rates**

Q- 11 to 13 The following data in respect of ABC Bank for the years ended 31st March, 2010 and 31st March, 2011 is given.

Perticulars	March-10	March-11
Capital and Liabilities	Rs. Crore	Rs. Crore
Equity share capital	634.88	634.88
Reserves	57312.82	65314.32
Deposits	742073.13	804116.23
Borrowings	53713.68	103011.60
Other Liabilities & Provisions	110697.57	80336.70
Total Liabilities	964432.08	1053413.73
Assets		
Cash & Balances with RBI	55546.17	61290.87
Balance with Banks, Money at Call	48857.63	34892.98
Advances	542503.20	?
Investments	275953.96	285790.07
Gross Block	10403.06	11831.63
Accumulated Depreciation	6828.65	7713.90
Net Block	3574.41	4117.73

Capital Work in Progress	263.44	295.18
Other Assets	37733.27	35112.76
Total Assets	964432.08	1053413.74

Q11 The deposits for the year ended 31st March, 2011 have increased by ----

- 1) 0.122 **2) 0.0836**
 3) 0.105 4) The deposits have decreased

Q12 If the actual growth in advances as on 31st March, 2011 had been higher by Rs. 10,000 Crore, the advances as on 31st March, 2011 would have been ----

- 1) Rs. 4,41,492.10 Crore 2) Rs. 5,20,803.35 Crore
 3) Rs. 5,31,802.42 Crore **4) Rs. 6,22,368.62 Crore**

Q13 The net worth for the year ended 31st March, 2011 is ----

- 1) 48956.5 **2) 65949.2** 3) 55767.8 4) None of the above

Q14. Under Foundation IRB approach, LGD will be given by whom?

- 1) National Supervisor 2) Bank calculates 3) BIS 4) CIBIL

Q15. INFINET has been developed by _____

- 1) TCS **2) IDRBT** 3) CCIL 4) WIPRO

Q16. Mr. A, who participates in the options market, had the following information with him on 5 August, 2010. 'X' Industries was trading at Rs.560.00. The other details were: Call option -Sept 30-strike price 590 premium Rs. 120 Put option - Sept 30 - strike price 540 premium Rs. 90 The unit lot size is 50. If Mr. A decides to buy a call option at the strike price of 590, with a premium of Rs. 120.00, what is the minimum price at which he will make a profit?

- 1) Rs. 490.00 2) Rs. 470.00 3) Rs. 684.00 **4) Rs. 711.00**

Q17. What is meant by rating migration?

- 1) Changing rating agency
 2) Changing the rating model
3) Changes in rating over a period when rated on same model
 4) Changes in fee to rating agencies

Q18. Which of the following statement(s) is correct in respect of assets under trading book?

- 1) Held till maturity
- 2) Normally not held till maturity and traded in the market
- 3) Assets marked to market
- 4) **Options (2) and (3) above**

Q19. Mr. A, who participates in the options market, had the following information with him on 5 August, 2010. 'X' Industries was trading at Rs.560.00. The other details were: Call option -Sept 30- strike price 590 premium Rs. 120 Put option - Sept 30 - strike price 540 premium Rs. 90 The unit lot size is 50. Mr. X decides to buy a put option at the strike price of 540 and on 30th Sept, 2010; 'X' Industries closes at Rs.610.00. What is the potential loss to Mr. A?

- 1) Unlimited
- 2) Limited to the premium paid
- 3) The difference between the strike price and the closing price
- 4) The strike price

Q20. An amount of Rs. 10,000 is available with Bank A for investment. The various investment options being considered by the Bank along with the Yield and Risk weights have been given as under:

	Option-1	Option-2	Option-3	Option-4
Investment in Govt. Securities Yield 7% and Risk weight 0%	10000	4000	3000	3000
Lending to AAA rated Customers Yield 8% p.a. and risk weight 20%	-	6000	3000	3000
Lending to AA rated Customers Yield 10% p.a. and risk weight 50%	-	-	4000	2000
Lending to A rated Customers Yield 12% p.a. and risk weight 100%	-	-	-	2000
Total	10000	10000	10000	10000

Q-20 The amount of capital required @ 8% in case the Bank invests under Option 2 will be ----

- 1) Rs. 9.60
- 2) **Rs. 96**
- 3) Rs. 960
- 4) Rs. 9,600

Q21. A 5-year 6% semi-annual bond @ market yield of 8%, having a price of Rs. 92, falls to Rs. 91.80 at a yield of 8.10%, what is Basis Point Value (BPV)?

- 1) Rs. 0.20
- 2) Rs. 0.10
- 3) **Rs. 0.02**
- 4) Rs. 0.05

Q22. The main components of market risk are _____

- i) Liquidity risk
- ii) Interest rate risk
- iii) Currency risk

From the above, choose the correct answer from the options given below:

- 1) (i) only 2) (i) and (ii) 3) (ii) only 4) (i), (ii) and (iii)**

Q23. The Bank has a interest rate sensitive ratio of 1.60, as against its targeted ratio of 1.25 with rate sensitive assets exceeding rate sensitive liabilities in the time bloc of 2 to 5 years mainly on account of its recent focus on expanding its short term deposit base with average maturity not exceeding 12 months. The pricing of assets and liabilities is generally linked to G-sec yields, as per its ALM Policy. Assuming the duration of its assets is about 3 years and the interest rate outlook is one of increasing rates, bank would like to work out the following alternatives. Without using derivatives, the bank may also modify its policy and advise branches --

- 1) Not to accept deposits with maturity beyond 1 year
- 2) To encourage trade finance and short term advances**
- 3) To increase non-fund business
- 4) To increase home-loan portfolio

Q24. An import bill not retired by the importer should be crystallized by the bank on what day?

- 1) On 21st day from the date of Bill of Lading
- 2) On the 10th day from the receipt of documents at the counters of the bank**
- 3) On the expiry of five banking days
- 4) On the day of receipt of the Bill

Q25. In the case of country risk, banks will adopt the country risk classification given by the following agency.

- 1) Reserve Bank of India 2) Euro Money **3) ECGC** 4) Exim Bank

Q26. The quotation of 1 PGK=\$ 0.4435 in Papua New Guinea is an example of _____

- 1) Direct quotation **2) Indirect quotation** 3) Competitive quotation 4) Aggressive quotation

Q27. Pillar 3 prescribes qualitative and quantitative disclosures under _____ areas

- 1) Ten 2) Twelve **3) Thirteen** 4) Nine

Q28. As on 31/03/2010, ABC Bank Ltd, with pan India presence, had its broad maturity profile of Assets and Liabilities as under;

		Rs in crore	
		Liabilities	Assets
1.	upto 1 year	200	100
2.	over 1 yr-up to 3 yrs	150	200
3.	over 3 yr-up to 5 yrs	100	150

Which of the following factors will help ABC Bank Ltd in reducing its liquidity risk?

- 1) Decline in earnings
 2) Decrease in NPAs by writing off Loss assets
 3) Upgrading of the bank by Rating Agencies
 4) **Deposit concentrations**

Q29. The policy which states about the spreads to be retained by Treasury, segregation of administrative cost, allocation of costs is known as _____

- 1) composite policy 2) ALM policy 3) Investment policy 4) **Transfer pricing policy**

Q30. All foreign currency inward remittances upto what amount shall, as per FEDAI guidelines, be converted immediately into Indian Rupees?

- 1) Rs. 50000 equivalent 2) USD 10000 3) **USD 5000** 4) £ 1000

Q31. A Bank received an LC for USD 2 Mio issued by MT 700 and opened on Jan 25, 2011. The credit calls for shipment of 200 tonnes of good quality wheat cultivated in Punjab. What is the time available for issuing bank for examination of documents under UCP600?

- 1) 21 days
 2) Reasonable time not exceeding 7 days
 3) Reasonable time not exceeding 7 banking days
 4) **Five banking days**

Q32. Which of the following shipments out of India are exempt from export declaration forms?

- 1) Goods or software, when accompanied by a declaration by the exporter that they are not more than USD 50000 in value
 2) Gifts of goods, valuing not over Rs.50000 along with declaration of exports
 3) **Gifts of goods, valuing not over Rs.500000 along with declaration of exports**
 4) Goods not exceeding in value USD 10000 per transaction exported to Myanmar under bilateral trade agreement

Q33. RBI guidelines require banks in India to classify their assets and liabilities into _____ buckets

- 1) 6 2) 9 3) **10** 4) 11

Q34. Asset Classification should be _____

- 1) Facility wise
- 2) Borrower wise and facility wise
- 3) **Borrower wise**
- 4) will vary depending upon the case

**Q35. Given that Tier I capital is Rs. 500 crores and Tier II capital Rs. 800 crores and further given that RWA for credit risk Rs. 5000 crores, capital charge for market risk and operational risk Rs. 200 crores and Rs. 100 respectively, answer the following questions if the regulatory CAR is 8%.
What are the risk weighted assets for operational risk?**

- 1) **Rs. 1250 crores**
- 2) Rs. 1500 crores
- 3) Rs. 800 crores
- 4) Rs. 2000 crores

Q36. When the market value of a portfolio changes by Rs. 200000 when there is 2% increase in rate of interest, what is the sensitivity?

- 1) Rs. 200000
- 2) **Rs. 100000**
- 3) Rs. 400000
- 4) Rs. 50000

Q37. Country risk is also a type of risk

- 1) Market
- 2) Concentration
- 3) Transaction
- 4) **Credit**

Q38. Who among the following cannot issue CPs?

- 1) **Banks**
- 2) Corporates
- 3) PDs
- 4) FIs

Q39. As on 31/03/2010, ABC Bank Ltd, with pan India presence, had its broad maturity profile of Assets and Liabilities as under;

		Rs in crore	
		Liabilities	Assets
1.	upto 1 year	200	100
2.	over 1 yr-up to 3 yrs	150	200
3.	over 3 yr-up to 5 yrs	100	150

Which of the following is not an external reason for further increasing the liquidity risk of ABC Bank Ltd?

- 1) Geographical reasons
- 2) Systemic reasons
- 3) Adverse features relating to instruments used in its borrowings
- 4) **Inadequate set up for credit risk assessment**

Q40. SBI maintains USD account with Bank of America, New York and when it conducts transactions through this account, it passes entries in its books at Mumbai through the following account

- 1) **Nostro account** 2) Vostro account 3) Loro account 4) Mirror account

Q41. RBI has permitted banks to borrow and invest through their overseas correspondents in foreign currency subject to a ceiling of _____ % of their Tier I Capital or USD _____, whichever is _____.

- 1) 25%, 5 million, lower 2) 20%, 10 million, lower
3) 50%, 10 million, higher 4) 25%, 5 million, higher

Q42. An amount of Rs. 10,000 is available with Bank A for investment. The various investment options being considered by the Bank along with the Yield and Risk weights have been given as under:

	Option-1	Option-2	Option-3	Option-4
Investment in Govt. Securities Yield 7% and Risk weight 0%	10000	4000	3000	3000
Lending to AAA rated Customers Yield 8% p.a. and risk weight 20%	-	6000	3000	3000
Lending to AA rated Customers Yield 10% p.a. and risk weight 50%	-	-	4000	2000
Lending to A rated Customers Yield 12% p.a. and risk weight 100%	-	-	-	2000
Total	10000	10000	10000	10000

Q-42 What is the amount of risk-weighted assets for investment under Option 3?

- 1) Rs. 2,100 2) Rs. 2,300 **3) Rs. 2,600** 4) Rs. 2,700

Q43. Which one of the following is not one of the pillars under Basel II?

- 1) Minimum Capital Requirement 2) Supervisory Review Process
3) Market Review 4) Market Discipline

Q44. Given that Tier I capital is Rs. 500 crores and Tier II capital Rs. 800 crores and further given that RWA for credit risk Rs. 5000 crores, capital charge for market risk and operational risk Rs. 200 crores and Rs. 100 respectively, answer the following questions if the regulatory CAR is 8%. What are the risk weighted assets for market risk?

- 1) Rs. 1000 crores 2) Rs. 1500 crores 3) Rs. 2000 crores **4) Rs. 2500 crores**

Q45. What is the principal purpose of Interest Rate Swaps?

- 1) **Help borrowers/lenders to switch their borrowings/lendings from fixed to floating rate structures and vice versa**
2) Help players maximize interest earnings
3) Help accelerate interest due payments
4) Help the markets increase volumes

Q46. Given that Tier I capital is Rs. 500 crores and Tier II capital Rs. 800 crores and further given that RWA for credit risk Rs. 5000 crores, capital charge for market risk and operational risk Rs. 200 crores and Rs. 100 respectively, answer the following questions if the regulatory CAR is 8%. What is the Tier I capital adequacy ratio?

- 1) 0.0555 2) 0.0581 **3) 0.0571** 4) 0.0568

Q47. How many Diamond Dollar Accounts can an Exporter maintain?

- 1) Only one 2) Two accounts 3) It is matter of discretion for the bank **4) Five**

Q48. CCIL takes over the settlement risk, for which, it creates a large pool of resources. What is it called?

- 1) Contingency fund 2) Market development fund 3) Buffer reserves **4) Settlement Guarantee Fund(SGF)**

Q49. Leveraging implies building up _____

- 1) Large volume of business with relatively large amount of capital
2) Small volume of business on relatively small capital
3) Small volume of business with large capital
4) Large volume of business with relatively small capital

Q50. Mr. A, who participates in the options market, had the following information with him on 5 August, 2010. 'X' Industries was trading at Rs.560.00. The other details were: Call option -Sept 30- strike price 590 premium Rs. 120 Put option - Sept 30 - strike price 540 premium Rs. 90 The unit lot size is 50. The premium for the call option for strike price of 590 is Rs. 120.00. Mr. A was undecided whether to opt for buy or sell option of strike price of Rs. 590, what will be the premium

payable/received by him?

- 1) <120, >120 2) >120, <120 3) Cannot be determined **4) 120,120**

Q51. Under Basel II while prescribing minimum capital ratio of 8%, what additional risk BIS has added to the existing risks?

- 1) Credit risk 2) Market risk 3) Operational risk **4) Liquidity risk**

Q52. SWIFT has introduced new system of authentication of messages between banks replacing Bilateral Key Exchange(BKE) with RMA. RMA stands for ..

- 1) Resources Maximization Abinitio 2) Real Macro Accounts
3) Relationship Management Application 4) Rotational Management Approach

Q53. _____ risk occurs when assets are sold before their maturity dates

- 1) Reinvestment 2) Gap **3) Price** 4) Yield Curve

Q54. Quantitative measures of risks can be classified into three categories. 1) based on sensitivity 2) based on downside potential. What is the third one?

- 1) Based on volumes **2) Based on volatility** 3) Based on seasonality 4) Based on behavioral patterns

Q55. Who are eligible for support under Product Liability Insurance (PLI) of Exim Bank?

- 1) All exporters 2) Exporters with IEC number 3) Registered Indian exporters
4) Registered Indian exporters endeavoring to export to OECD countries

Q56. Returns on zero-risk investments are generally _____ as compared to other opportunities available in the market

- 1) Very high 2) High **3) Low** 4) Unpredictable

Q57. CRAR is _____

- 1) Tier I capital / Total RWAs 2) Tier II capital / Total RWAs
3) Regulatory Capital / Total RWAs 4) Tier I and II capital/ Total Assets

Q58. Who is eligible to take Export turnover policy from ECGC?

- 1) Exporters with turnover not exceeding Rs 10 lakhs per year
2) Exporters who contribute not less than Rs. 10 lakhs towards premium
3) Exporters with turnover exceeding Rs 10 lakhs per year
4) Exporters who contribute not more than Rs. 10 lakhs towards premium

Q59. Given that Tier I capital is Rs. 500 crores and Tier II capital Rs. 800 crores and further given that RWA for credit risk Rs. 5000 crores, capital charge for market risk and operational risk Rs. 200 crores and Rs. 100 respectively, answer the following questions if the regulatory CAR is 8%. What is the total capital adequacy ratio?

- 1) 0.1486 2) 0.1111 **3) 0.1143** 4) 0.1282

Q60. What is the beta factor for retail banking under Standardized approach?

- 1) 15% 2) 18% **3) 12%** 4) None of the above

Q 61. An 8-year 8% semi-annual bond has a BPV of Rs. 125. The yield on the bond has increased by 5 basis points. What is the profit or loss suffered due to increase in yield?

- 1) A profit of Rs. 1000 2) A loss of Rs. 1000
3) A profit of Rs. 625 **4) A loss of Rs. 625**

Q-62. 1 day VaR of a portfolio is Rs. 200000 with 95% confidence level. In a period of six months (125 working days) how many times the loss on the portfolio may exceed Rs. 200000?

- 1) 4 days **2) 5 days** 3) 6 days 4) 7 days

Q 63. What is Beta factor for Payment and Settlement under Standardised approach?

- 1) 15% **2) 18%** 3) 12% 4) 16%

Q 64. What is the estimated level of operational risk?

where, Probability of occurrence = 2 , Potential financial impact = 4 , impact of internal controls = 50%

- 1) 1 **2) 2** 3) 3 4) 4

Q 65. Which is most comprehensive measure of Risk

- 1) Sensitivity 2) Volatility **3) Downside Potential** 4) Non of above

Q 66. Interest Rate gap is the sensitivity of the interest rate margin of the_____

- 1) Trading Book **2) Banking Book** 3) ALM Book 4) Merchant Book

Q 67. Notice Money period is

- 1) 1 day **2) more than 1day to 14 days**
3) more than 14 days to 1 year 4) more than 1 year

Q 68. What is limit of free remittance in India

- 1) 100000 USD
- 2) **200000 USD**
- 3) 300000 USD
- 4) 250000 USD

Q 69. If the duration of bond yielding 5% is 2.5. so what is Modified Duration?

- 1) 2.22
- 2) 2.35
- 3) **2.38**
- 4) 2.58

Q 70. Options are primarily used a hedge against _____ fluctuation

- 1) **Price**
- 2) Interest Rate
- 3) Market
- 4) Duration

Q 71. If Strike price is less than forward rate in case of a put option so it called:

- 1) In-Time Money
- 2) **Out-of Money**
- 3) At-Time Money
- 4) Non of above

Q 72. Which of the following is Systemic Risk?

- 1) **Faliure of the whole banking system**
- 2) Strategic Risk
- 3) System Risk
- 4) Regulatory Risk

Q 73. Capital charge computationis a function of whichof the following parameters under IRB approach?

- 1) Probability of default (PD)
- 2) Loss given the default (LGD)
- 3) Maturity (M)
- 4) **All the above**

Q 74. Integrated Treasury refers to integration of which of the following?

- 1) Money Market
- 2) Securities Market
- 3) Foreign exchange operations
- 4) **All the above**

Q 75. What is Open position?

- 1) Any residual position of a bank at the end of the day-over bought
- 2) Any residual position of a bank at the end of the day-over sold
- 3) None of the above
- 4) **1 & 2 both**

Q - 76-80 Calculation of Economic Value of Equity

Net Worth = 1200.00 RSA = 17200.00 RSL = 17500.00
DA = 1.78 DL = 1.17 Tier - 1 = 700 Cr. Tier - 2 = 500 Cr.

Q- 76 What is Weight (W) ? = 1.02

Q- 77 What is DGAP ? = 0.59

Q-78 What is Leverage Ratio? = 14.33

Q-79 What is Modified Duration of Equity? = 8.45

Q- 80 If there is 200 bp change in Rate what is drop in Equity Value? = 16.90%

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